

1.2 Stakeholders and Material Topics

Being the best partner for our stakeholders is one of LITE-ON's commitments. Listening to and communicating effectively with the stakeholders is one of the cornerstones on which LITE-ON builds the foundation of corporate sustainability.

1.2.1 Stakeholder Identification and Communication

LITE-ON has many stakeholders with a wide variety of backgrounds. To present stakeholders sufficiently representative of their categories, we refer to the five attributes in AA1000 Stakeholder Engagement Standard 2015: dependency, responsibility, tension, influence, and diverse perspectives. Nine stakeholder categories have been identified by the degree of importance.

The process is conducted on a three-year basis. In 2017, we summoned representatives from all departments and identified the following stakeholders through open discussions. Correlation tests are also performed every year to examine the survey results returned by stakeholders.

In 2019, LITE-ON continued to engage stakeholders in the nine categories through regular and irregular communication channels. Together, we achieved various results and created diverse social values. Topics that are important to LITE-ON's stakeholders are also addressed in the relevant chapters in this report.

Stakeholder Engagement Performance in 2019

Stakeholder	Significance to LITE-ON	Method and frequency of engagement	Concerned issues	Engagement results	Response measures and countermeasures (chapter)	Page
Investors (shareholders)	All shareholders (and potential shareholders) investing in LITE-ON should be given equal access to material information of the company to present the company's market value sustainably.	<ol style="list-style-type: none"> The executive management team meets regularly every year. <ul style="list-style-type: none"> Shareholder meetings (2 times) Investor conferences (4 times) Participation in global investor forums (7 times) Investor mailbox and hotline (real-time) 	<ul style="list-style-type: none"> Corporate governance & operations Integrity and compliance Risk management Supply chain management Customer relations management 	<ul style="list-style-type: none"> The company engages investors regularly or as needed to convey its business performance and prospects. Annual reports, quarterly financial statements, quarterly reports, and monthly revenues are uploaded to the investor relations section of the corporate website. A summary of comments gathered from investors and external parties is submitted quarterly to the board of directors and the executive management to provide a basis for the improvement of corporate governance practices. 	1.2.2.2 Customer Service and Satisfaction 2.1 LITE-ON Corporate Values and Governance 2.2 Company Overview 2.3 Organization Structure of Corporate Governance 2.4 Corporate Risk Management 2.5 Compliance, Ethics and Anti-corruption 3.2 Sustainable Supply Chain	19 28 30 33 36 43 53
Employees (union)	Employees are LITE-ON's most important partners in achieving sustainability. In addition to protecting employees' employment rights, a company has to offer competitive compensation and benefits, and show respect and care for employees to attract top talent. Employees who can realize their full potential and work with the company will deliver the best business performance.	<ol style="list-style-type: none"> Union meetings (as needed) Employee/employer meetings (quarterly) Business unit meetings (quarterly) Hotlines and mailboxes Business meetings and internal correspondence (real-time) 	<ul style="list-style-type: none"> Labor relations and friendly workplace Human rights Talent attraction and retention Corporate governance & operations Talent training & education Occupational safety and health 	<ul style="list-style-type: none"> The company communicates with employees on company policies and directions through various channels and is open to employee feedback and adjusting strategies or proposals for improvement as appropriate. Organize regular management training by field and by level of authorization, holistic health and safety training, and fire drills. 	2.1 LITE-ON Corporate Values and Governance 2.2 Company Overview 2.3 Organization Structure of Corporate Governance 5.1 Employee Policy 5.2 Employee Profile 5.3 Employee Development and Training 5.4 Protection of Employee Interest 5.5 Employee Relations 5.6 LOHAS LITE-ON	28 30 33 67 68 75 79 82 83

Stakeholder Engagement Performance in 2019

Stakeholder	Significance to LITE-ON	Method and frequency of engagement	Concerned issues	Engagement results	Response measures and countermeasures (chapter)	Page
Media	Media act as a bridge between LITE-ON and its stakeholders. Media coverage based on timely access to information released by the company will help stakeholders acquire correct information regarding the company via public channels. It will also help LITE-ON continue to uphold its reputation.	<ol style="list-style-type: none"> Regular investor conferences to publish business results, interviews in shareholders meetings, and press releases (5 times) Ad hoc business result updates, interviews in press conferences, and press releases (2 times) Regular press releases to publish monthly revenues (12 times) Ad hoc press releases to publish business updates (9 times) Media and public relations hotline and media interviews and inquiries (real-time) 	<ul style="list-style-type: none"> Corporate governance & operations Corporate image Integrity and compliance Risk management Waste management Integrity and compliance Labor relations and friendly workplace Innovation development and application 	<ul style="list-style-type: none"> The company engages media regularly or as needed, accepts media interviews and issues press releases to convey its business performance and prospects. Press releases are also published on the corporate website. A summary of relevant issues and articles gathered from media is submitted to the executive management to provide a basis for the improvement of corporate governance practices. 	<ul style="list-style-type: none"> 2.2 Employee Profile 2.3 Organization Structure of Corporate Governance 2.5 Compliance, Ethics and Anti-corruption 2.4 Corporate Risk Management 5.5 Employee Relations 5.6 LOHAS LITE-ON 3.1 Product Green Design and Management 	<ul style="list-style-type: none"> 30 33 43 36 82 83 48
Customers	We listen to customers and their needs for customers are LITE-ON's major source of revenues. LITE-ON monitors industry trends closely and provides professional services to meet the customers' standards and keep abreast with the latest developments.	<ol style="list-style-type: none"> Quarterly business review meetings (quarterly) Supplier Conference (as needed) Special-purpose meetings (as needed) Meeting appointments (as needed) Ad hoc meetings on urgent issues (as needed) Audits by customers (as needed) RBA-ON platform (annual) 	<ul style="list-style-type: none"> Customer relationship management Product quality and safety Data security and client privacy Green product design Supply chain management 	<ul style="list-style-type: none"> The Supplier Quality Management (SQM) unit is created to strengthen supplier quality management to provide fast, efficient, and high-quality products and services and be able to inform customers of updates on supplier management. The company is constantly making improvements to customer service and stays in close communication with customers. We protect client privacy and are always prepared to accept review requests from customers. Visits between the senior management of the company and that of our customers are arranged to strengthen the partnerships and create a win-win situation. 	<ul style="list-style-type: none"> 1.2.2.2 Customer Service and Satisfaction 2.6 Information Security and Privacy 3.1 Product Green Design and Management 3.1.2 Product Environmental Labeling and Declaration 3.2 Sustainable Supply Chain 	<ul style="list-style-type: none"> 19 45 48 51 53

Stakeholder Engagement Performance in 2019

Stakeholder	Significance to LITE-ON	Method and frequency of engagement	Concerned issues	Engagement results	Response measures and countermeasures (chapter)	Page	
Suppliers	Suppliers play a key role in LITE-ON's campaign to achieve sustainability. In addition to production, service, and operational concerns, the company must consider its corporate social responsibility and reputation risk. LITE-ON tries to learn about supplier concerns through the communication channels in place to reduce business risks and costs and continue to provide responsible and high-quality services for customers.	<ol style="list-style-type: none"> 1. Supplier training conferences (irregular) 2. Supplier audits (regular) 3. Project meetings (irregular) 	<ul style="list-style-type: none"> - Supply management - Product quality and safety - Raw materials management - Product or service life cycles - Supply chain management - Integrity and compliance - Green product design 	<ul style="list-style-type: none"> · The company holds annual supplier meetings and ad hoc supplier audits to communicate with suppliers on business performance and annual targets. These conferences serve as a means of active response to supplier concerns. · To encourage suppliers to adopt new business models that have less impact on the environment, promote compliance with the requirements of globally renowned brands, and work together to achieve sustainability. 	2.5	Compliance, Ethics and Anti-corruption	43
					3.1	Product Green Design and Management	48
					3.2	Sustainable Supply Chain	53
Government authorities	In addition to complying with government regulations, LITE-ON actively supports government policies and engages government agencies in two-way open communication to win their trust, support, and cooperation.	<ol style="list-style-type: none"> 1. Regular update of corporate website and information on the Market Observation Post System (monthly/quarterly/annually) 2. Questionnaires and interviews (as needed) 3. Receive government performance evaluation (annually) 4. Participate in events and consultation meetings hosted by government agencies (as needed) 	<ul style="list-style-type: none"> - Corporate image - Integrity and compliance - Corporate governance and operations - Labor relations and friendly workplace 	<ul style="list-style-type: none"> · The company works with government agencies regularly and as needed in implementing and coordinating related programs. The company also learns details of policies and regulations and assists in promoting them. 	2.1	LITE-ON Corporate Values and Governance	28
					2.2	Company Overview	30
					2.3	Organization Structure of Corporate Governance	33
					2.5	Compliance, Ethics and Anti-corruption	43
					5.5	Employee Relations	82
5.6	LOHAS LITE-ON	83					
The community	LITE-ON improves its sustainability campaign based on its effort to improve its CSR performance. By giving back to the community, LITE-ON creates a stronger positive influence on society. LITE-ON also implements stakeholder communication mechanisms to add to its positive influence on society.	<ol style="list-style-type: none"> 1. Community assistance <ul style="list-style-type: none"> · Social media webpage (as needed) · Course feedback form (at the end of each class) · Instructors' meetings (organized as needed) · Teachers' meetings (organized as needed) · Volunteers and supervisors' meetings (organized as needed) · Assistance director and supervisors' meetings at the beginning and the end of a semester (semiannually) 2. Xinyi Community College <ul style="list-style-type: none"> · Course satisfaction questionnaires (semiannually) · Instructor meetings (semiannually) · Volunteer meetings (quarterly) 	<ul style="list-style-type: none"> - Social engagement - Corporate image - Integrity and compliance - Climate change and energy management 	<ul style="list-style-type: none"> · The company communicates via email and telephones. In the event of a major incident, notifications will be made by email, and updates and discussions will take place on social media websites. · Course questionnaires are used to collect suggestions and feedback from volunteers and course participants. Instructor meetings are held regularly to keep instructors focused on the priorities of the community college. 	2.2	Company Overview	30
					2.5	Compliance, Ethics and Anti-corruption	43
					4.2	Climate Change and Energy Management	60
					6.1	Social Inclusion Policy	90
					6.5	LITE-ON Volunteers	94
					6.6	LITE-ON Cultural Foundation	95

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Stakeholder	Significance to LITE-ON	Method and frequency of engagement	Concerned issues	Engagement results	Response measures and countermeasures (chapter)	Page	
Research institutions	Research institutions play the role of pioneers in advanced technologies and their applications. They help companies innovate and become more competitive so to make it easier for companies to get the approval of customers and investors.	<ol style="list-style-type: none"> 1. Onsite visits and meetings (as needed) 2. Seminar planning (as needed) 3. Government project execution (as needed) 4. Collaborative technology development (as needed) 	<ul style="list-style-type: none"> - Innovation development and application - Green product design - Talent training & education - Integrity and compliance 	<ul style="list-style-type: none"> · By applying for government subsidies or earmarked grants, the company forms academia-industry partnerships in specific fields with research institutions. These fields include MOST project applications, ISO management system implementation, and assistance for environmental product labels or certification. · The company collaborates with others in developing industry technologies through technology transfer or commissioned research to implement new technologies needed to enable product development. · The company works with research institutions in building up talent pools and necessary techniques by providing funding or creating joint research centers. 	2.5	Compliance, Ethics and Anti-corruption	43
					3.1	Product Green Design and Management	48
					6.1	Social Inclusion Policy	90
					6.2	2019 LITE-ON Award	91
				6.3	Supporting Internships	93	
Non-Profit Organizations	As an ethical and responsible business, LITE-ON understands the needs of nonprofit organizations. It promotes and practices the philosophy of giving back to the community and tries to make itself a positive influence on society.	<ol style="list-style-type: none"> 1. Membership associations (as needed) 2. Event co-sponsorships (as needed) 3. Initiate advocacy (as needed) 	<ul style="list-style-type: none"> - Corporate image - Human rights - Labor relations and friendly workplace - Climate change and energy management 	<ul style="list-style-type: none"> · The company plays an active role in trade associations, including the Taiwan Corporate Sustainability Forum, Taiwan Electrical and Electronic Manufacturer's Association and Taiwan Optoelectronic Semiconductor Industry Association, to facilitate frequent interaction among members of the industry. · To work with NGOs on employee care and environment adaptation initiatives, including climate change response measures and energy saving and carbon reduction measures. 	1.2.2.1	LITE-ON SEA HOPE – the Sustainability Development	17
					2.2	Company Overview	30
					3.2.2.2	Sustainable Supply Chain Guidelines	55
					4.2	Climate Change and Energy Management	60
					5.4	Protection of Employee Interest	79
					5.5	Employee Relations	82
					5.6	LOHAS LITE-ON	83
					6.4	Green Energy Charity	94
					6.6.1	Community Assistance and Holistic Services	95
					6.6.2	Taipei Xinyi Community College (Taiwan)	98



1.2.2 Stakeholder Engagement Performance Highlights

1.2.2.1 LITE-ON SEA HOPE – the Sustainability Development Project

- Partners:**
1. Environmental Protection Bureau of Penghu County
 2. QiHui Environmental Technology (disposer for Styrofoam marine waste)
 3. Industrial Technology Research Institute (recycled material developer and plastic material manufacturer)
 4. Institute of Marine Biology, National Taiwan Ocean University
 5. Institute of Environmental Engineering and Management, National Taipei University of Technology

Other participating stakeholders: employees and key suppliers

Project background and objectives

Responding to SGD14: conserve and sustainably use the oceans, seas and marine resources, LITE-ON SEA HOPE project aims to protect Taiwan's local marine ecosystem and successfully combine marine conservation and LITE-ON's business through three pillars: the corporate volunteer system, the circular economy to marine waste, and Lanyu sea turtle conservation.

Project description and results

1. **Corporate volunteer system – Advocating marine sustainability to employees**
LITE-ON provided training to employees so that they may serve as volunteers for the company's coastal-cleanup activity. The company also invited government agencies, research institutions, schools, media, and social enterprises to join the event. LITE-ON organized a total of 24 coastal cleanups in 2019, with more than 2,500 participants who cleaned more than 10 tons of waste in total. In the future, the company will continue to



The coastal Cleanup at Wangyou beach, Badouzi, Keelung



The coastal cleanup result at Wangyou beach – the SDG color wheel



communicate with employees and incorporate different educational elements into coastal cleanups to facilitate participation and team spirit.

2. The circular economy to marine waste – Advocating the marine-waste circular economy to major suppliers

By working with local governments, social enterprises, and research institutions, LITE-ON recycled and processed Styrofoam marine waste, and applied plastics modification to turn the processed Styrofoam into recycled plastic resin that was used to make keyboards and mice. Furthermore, as a way to expand the project and involve more stakeholders, LITE-ON held supplier meetings to explain the project to 224 suppliers. LITE-ON was invited to deliver a presentation entitled "SEA HOPE - LITE-ON Circular Economy Solutions for Marine Styrofoam Waste" at the side event of the 2019 United Nations Climate Change Conference (COP25), which gained international attention. In 2019, LITE-ON helped the Penghu County Government clean more than 30 tons of Styrofoam marine waste. There were more than 20 articles covering the events reported by the media.

Going forward, LITE-ON will continue to promote the campaign, work with more local governments, and invite more businesses to join the campaign to extend social influence.

3. Sea turtle restoration in Lanyu island – Advocating sea turtle restoration to the local government

By working with schools and communicating with the local government, LITE-ON strives to increase the hatch and survival rates for sea turtles by reducing light pollution. In 2019, National Taiwan Ocean University commission by LITE-ON completed the preliminary study on the friendly streetlight design for sea turtle. The experiment concluded that the yellow-light source with streetlight cover could reduce light pollution significantly. LITE-ON is looking forward to in-depth discussion and collaboration with local governments to create more jobs and opportunities in local conservation by incorporating more placemaking elements.



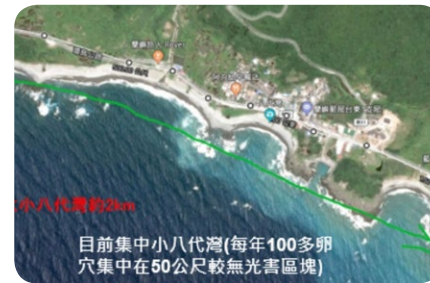
Magistrate Lai Feng-Wei of Penghu County presented the certificate of appreciation.



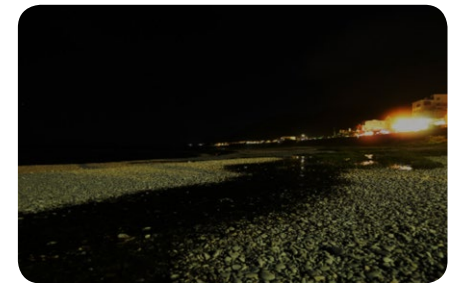
Certificate of Appreciation by Penghu County Government



Presentation on the circular economy to marine waste at the supplier meeting



Aerial photo of Lanyu Badai Bay/Little Badai Bay



Light pollution at Lanyu Badai Bay



LITE-ON presentation at the COP25 side event



LITE-ON group photo at the COP25 side event